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SUBJECT: Political Views of Sr. Alfonso BAUER Paiz, Former Minister of Economy and Labor.

In the course of a lengthy conversation on the evening of May 20, 1953 Sr. Alfonso BAUER Paiz, former Minister of Economy and Labor, member of the Guatemalan Delegation to the United Nations General Assembly and prominent labor lawyer, discussed general political questions with two officers of the Embassy. From this conversation it appears that Sr. Bauer views "imperialism" as the burning issue of the day and considers the winning of what he would call political and economic independence by the less developed areas as of greater urgency than even the problem of countering Communist aggression. In fact, he did not appear to view the Communists as in themselves posing a serious threat to the West and he insisted that the local Communists are much more concerned with reform in Guatemala than with the advancement of Communist power throughout the world. His near obsession with "imperialism" was brought out particularly in a discussion of Puerto Rican affairs when he stated that he could not believe that the Puerto Ricans, despite their ties with the United States, had willingly rejected complete independence. Regarding the position of American companies operating in Guatemala he seemed to think that they could establish satisfactory relations with the Guatemalan Government if they would cease to meddle in Guatemalan politics, would renounce their privileged positions and would do more to assist the country. Sr. Bauer also made some interesting statements regarding the liquidation of the Fincas Nacionales and financial problems of the Government.

Throughout this conversation Sr. Bauer appeared friendly and even desirous of pleasing his hearers, and he said nothing offensive about the United States. Unfortunately, the confusion in Sr. Bauer's ideas is very typical of leftist political leaders in Guatemala.

Enclosed is a memorandum of this conversation.

Rudolf E. Schoenfeld

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUN — 8 1953
OFFICE OF REGIONAL AFFAIRS

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Conversation at a Dinner Party in the Home of First Secretary of Embassy Andrew B. Wardlaw on Evening of May 20, 1953

Participants:

Licenciado Alfonso BAUER Paiz, former Minister of Economy and Labor, member of Guatemalan Delegation to United Nations General Assembly and prominent labor laywer;

Sr. Jorge DEL PINAL, Guatemalan economist and businessman;

Mr. Elliot H. Miller, American Vice Consul;

Mr. Andrew B. Wardlaw, First Secretary of Embassy.

Communism

In the course of this conversation I pointed out to Sr. Bauer that it was very difficult for many people in the United States to be sympathetic with the problems of Guatemala as long as the Communists seem to enjoy such special privileges here, and I mentioned a number of specific places where the Communists seemed to be favored above others. Regarding the semi-official newspaper Nuestro Diario, Sr. Bauer did not deny that the paper is owned by the Government, but he insisted that there are non-Communists as well as Communists writing for it and that, in any case, it has a very limited circulation and is not influential. Regarding the Guatemalan Institute of Social Security, he stated that he does not consider Sr. Alfonso SOLORZANO, its Manager, to be a Communist, and does not think that it can be fairly said that Communists dominate that organization. He pointed out that none of the members of the Board of Directors of the Institute are Communists and that the statutes of the organization give those members complete control over it. Sr. del Pinal, who was a member of that Board when the organization was still in non-Communist hands, questioned the importance of the theoretical control over the organization by these Board members when in practice they do not interfere with the activities of Sr. Solórzano. Sr. Bauer admitted Communists were active in the CGTG, but denied that they alone determine its policies. He pointed out that there are no Communists on the Board of Directors of the Bank of Guatemala.

He asserted that he felt that the importance of the Communists in Guatemala has been greatly exaggerated, mentioning particularly that there is not a single Communist in the Cabinet. I asked him whether this is really very significant when members of the Cabinet have lent Government facilities to the Communists for holding Communist meetings, have assisted their propaganda

campaigns and have aided them in many other ways. This question he tended to brush aside.

In general, Sr. Bauer took the attitude that the local Communists are not dedicated Party members but are persons interested in reforms such as the Agrarian Law which, he pointed out, is certainly not Communist in form. He stated that he knows all of the leading Communists here very well, that he and Fortuny, Solórzano and Pellecer had been boys together, had gone to the same "private" schools, and that these Communists remain essentially Guatemalans. He pointed out several of the leading Communists, particularly Solórzano, who come from well-to-do families, and said that all of the others are definitely middle class in background, and that even Gutiérrez, whose family was poor, is a teacher by profession and hence is not a real proletarian. He also cited Fortuny's employment in the Public Relations Section of the British Legation during the Second World War as proof that Fortuny is not a Communist at heart.

I asked him why when the Communists in other countries in various instances which I cited have demonstrated loyalty to Soviet Russia as against their own countries, those of Guatemala could not be expected to do the same? He stated that I was making the mistake of considering Communism "on an international plane" whereas the problem in Guatemala is simply one of obtaining reforms for which the Communists as well as all of the other leftists are struggling.

International Affairs

From this, the conversation drifted into a discussion of international affairs. Sr. Bauer said that he felt that Guatemalans were greatly confused by changes in the policy of the United States towards Russia, that during the war we had been her ally and had emphasized democratic qualities in the Russian system, but after the war we had turned against her. I attempted to make him see that it was Russia which turned upon the Western world but I fear that I did not make a dent on his preconceptions.

He also said that he could not understand how the United States could enter into an alliance with General Franco whose Government was the most oppressive in the world. Without attempting to defend the Spanish Government, I replied that the Spanish people seem to enjoy more personal liberties and live better than do the Russians, and that the United States Government's policy of coolness towards the Spanish Government for some five or six years after the war had not resulted in a political change in Spain. I emphasized that Russia and the Western world are engaged in a cold war which appears to be a life and death struggle, that in this situation Guatemala and

all of Latin America have as much interest in restraining Russian aggression as does the United States, France or England, and I asked whether under such circumstances the United States would be justified in allowing possible disapproval of the Spanish Government to prevent it from constructing bases in Spain which could be of great value in the case of Russian attack against Western Europe. Although Sr. Bauer admitted that this argument of a defensive need in a critical struggle was unanswerable, he nevertheless seemed to feel that Russia was not the only aggressor in the world today, and that the menace to the West was not as serious as I had pictured.

Sr. Bauer stated that in the United Nations the Guatemalan delegation had found itself in the very uncomfortable position of voting with Russia on the question of Tunisia. He said that this was very embarrassing but that the Guatemalan delegation was compelled to follow its conscience in this question of the liberation of a colonial people.

Puerto Rico

Before we could discuss this point further, the conversation drifted to Puerto Rico. Sr. Bauer stated that the United States had followed an exemplary colonial policy, and that Puerto Rico constitutes the one great blot on the American record. Mr. Miller and I explained that two years ago the Puerto Ricans had in a free election rejected complete independence in favor of their present form of government in which they have full control over local affairs, and we pointed out the political and economic advantages which the Puerto Ricans enjoy in their relations with the United States. Sr. Bauer replied that he could not understand how the Puerto Ricans, despite the advantages which their connection with the United States gives them, could willingly forego the right to complete independence which he seemed to regard as the most compelling aspiration of any people. We discussed this point at some length but his opinion remained the same and apparently he was unwilling to admit to himself that the Puerto Ricans could have freely rejected complete independence.

Sr. Bauer Paiz stated that he thought that the people of Latin America would have a much higher regard for the United States Government if it would exercise pressure against the dictatorial governments in Latin America. He made it clear that he did not hold the United States responsible for installing or even maintaining in power the undemocratic governments but that he felt that the United States should use its influence against them. I suggested that if sanctions of some sort were to be applied against undemocratic governments, the United States would have to decide unilaterally which governments merited such sanctions, since the undemocratic governments could block general approval of such action by the OAS.

He stated that he would oppose a unilateral decision by the United States on this matter. In short, Sr. Bauer Paiz seemed to hold the United States at fault for not causing the other Latin American Governments to authorize it to use pressure against dictatorial governments in the hemisphere.

American Companies

I asked Sr. Bauer what would be his policy towards the Guatemalan Government and the Guatemalan public if he were at the head of a large American company operating here. He replied that there were three things in particular which he would do, viz. (1) to stop meddling in local politics; (2) to recognize that the privileges granted foreign companies many years ago by dictatorial governments are now out of date and to offer to renegotiate these contracts accordingly; and (3) to do more for the country by promoting its national aspirations, aiding charitable and similar institutions here and giving Guatemalans, other than its employees, advantage of its technical knowledge.

Regarding his first point, I said that the evidence published in the newspapers supporting the charge that the United Fruit Company had aided in financing the Salamá uprising was unimpressive, but the Embassy would be very much interested in receiving substantial evidence of intervention by any American company in the internal affairs of Guatemala, should such intervention occur. I mentioned the strictures placed by Mr. Spruille Braden, when he was Assistant Secretary of State, against political activities by American firms in foreign countries. Sr. Bauer stated that concrete proof in such matters was particularly difficult to obtain but that he was nevertheless convinced that the Fruit Company assists the opposition elements in their attacks on the Government. He pointed out that Sr. Carlos SIMONS, a former employee of the United Fruit Company's Tropical Radio, was one of the promoters of the Salamá uprising and that Sr. Córdova Cerna, who was allegedly scheduled to become President of Guatemala upon the success of the uprising, had been a legal adviser to the Company. I asked him whether he really believed that if the Fruit Company had planned a move against the Guatemalan Government it could not have arranged for someone not connected with it to lead the conspiracy. He replied that this is the way the company operates and he could not explain the company.

In reply to a question as to whether the Guatemalan Congress would be willing to approve any reasonable contract with a large American company, Sr. Bauer expressed confidence that Congress would be quite willing to do so and he cited the approval of the Pan American Airways contract in 1952 in support of his belief.

Fincas Nacionales

Sr. Bauer said that the Fincas Nacionales would be completely liquidated by June 30 except for Palo Gordo and Cerro Redondo, and that Palo Gordo would continue operating as at present because private Guatemalan stockholders held about 60 percent of the shares and the property could therefore not be expropriated. At Cerro Redondo he said that there had been difficulties with the campesinos who wanted to continue the existing situation, and he did not think the problem would be settled by June 30. Regarding coffee production on Fincas Nacionales lands, Sr. Bauer said that in the hands of the campesinos reported production would probably increase 5 to 10 percent because under the present administration there had been many robberies, losses, etc., and these would not occur when each campesino had his own plot. He thought that the only thing to do with the mills not taken over by private-Government cooperatives was to put them under INFOP. In general, Sr. Bauer did not seem too well versed in the Agrarian Reform Law.

Banco Agrario Nacional

Mr. Miller said that he had seen Sr. Bauer's name mentioned as a possible head of the Agrarian Bank, but Sr. Bauer replied that he knew nothing more about the matter but thought the Agrarian Bank was vital to the success of agrarian reform. He went on to discuss the great importance of credit and technical assistance to beneficiaries. Mr. Miller asked why the CGTG, which did not seem particularly involved in agrarian affairs, had received one of the four posts on the board of directors, and he replied that a liberal influence was needed to counterbalance the conservative Monetary Board, but he did not explain why the two members from the CNCG and the DAN would not provide sufficient "liberal" influence.

Finance

Mr. Miller asked Sr. Bauer what he thought of Sr. CHARNAUD MacDonald's plan to consolidate the debt. Sr. Bauer replied that he thought the plan impractical but gave no further explanation except to say that it is necessary to overhaul the pension system which places a heavy financial burden on the Government. His thinking on economic matters did not appear precise. He said that when he was Minister of Economy he often wanted intelligent advice but he was seldom able to get it. He went on to say that he would have appreciated intelligent newspaper comment on current issues but that Guatemalan newspapers were only interested in the sensational type of news. As an example, he said that during discussions of the Petroleum Law, he gave statements and bulletins to the press almost every day but the newspapers did not mention the subject until much

later when La Hora charged him with having given State secrets to Mexico. He also mentioned the PETENSA Corporation which he thought would have been a good thing for Guatemala but which, he said, had been killed by the newspapers. Mr. Miller said that it was hard to believe that predictions that the PETENSA, with a 4-6million-dollar capital could have made annual profits of 8 million dollars, but Sr. Bauer said that he thought Mr. Miller's figures were wrong. (Mr. Miller later checked his figures and found them to be right.)

IBRD and Foreign Loans

Sr. Bauer said that he was on the commission appointed by the President to study the IBRD recommendations and he thought that the report in general was sound and should have received more consideration from the Government. He said that although some of the proposals were being implemented, they were purely coincidental, as the Administration was not basing its actions on the IBRD report. He said that the principal objection to the report had been to its recommendation that Guatemala borrow from the Bank or other foreign lenders. This objection had come from both the extreme right, which opposed foreign loans because of past experiences, and from the extreme left, which opposed them on principle.

Andrew B. Wardlaw
First Secretary of Embassy